

Media Release

Keppel Corporation announces business updates for 3Q & 9M 2020

The Group returned to profitability in 3Q 2020; makes steady progress on Vision 2030 with a 100-day programme to drive results.

Singapore, 29 October 2020 – Keppel Corporation Limited (Keppel) has today released its first voluntary business update for 3Q & 9M 2020, following the adoption of semi-annual reporting of its results.

Many of Keppel's businesses provide essential services and continued to operate throughout the COVID-19 pandemic. As the COVID-19 situation stabilises in Singapore and other key markets where the Group operates, Keppel's employees are progressively returning to the workplace, while observing the relevant safe management measures.

The Group returned to profitability in 3Q 2020, compared to 2Q 2020's net loss of S\$697 million, though 3Q 2020's net profit is significantly lower year-on-year. Except for Keppel Offshore & Marine (Keppel O&M), all key business units were profitable in 3Q 2020. However, the Group remained loss-making for the first nine months of 2020, due to the significant impairments of S\$919 million, mainly from the offshore and marine business, recorded in 2Q 2020.

The Group's revenue was S\$4,818 million for 9M 2020 compared to S\$5,382 million for 9M 2019, due mainly to decreased contributions from Keppel O&M.

The Group's net gearing was lower at 0.96x as at 30 September 2020, compared to 1.00x as at 30 June 2020, mainly due to lower working capital requirements.

The Group continues to receive strong support from its bankers. In the year to date, over S\$3.0 billion in loans and committed bank facilities have been raised, equipping the Group to finance its operations even in a scenario of a slow, L-shaped recovery from the COVID-19 pandemic.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, "Keppel's key businesses have performed resiliently in the third quarter of 2020, with all key business units remaining profitable, except for Keppel O&M which continues to face very challenging conditions due to both the downturn in the sector and the reduced top line resulting from the COVID-19 pandemic and measures to contain its spread.

“On 29 September 2020, we announced plans to accelerate our Vision 2030 roadmap that will ready Keppel to weather the challenging environment and chart our growth path. To this end, we have established a Vision 2030 transformation office and launched a 100-day programme to drive results. In line with our Vision 2030 strategy, in the past month, we have announced about S\$140 million in asset divestments from our landbank and non-core assets, and also secured an offshore renewables contract worth about S\$600 million. We are also actively working with Keppel O&M’s Board and Management on the strategic review of this business, including exploring the full spectrum of organic and inorganic options.”

Under Vision 2030, Keppel is forging ahead as one integrated business providing solutions for sustainable urbanisation and has sharpened its focus on four key areas, namely Energy & Environment, Urban Development, Connectivity and Asset Management.

Energy & Environment

In 3Q 2020, activity levels at Keppel O&M’s Singapore operations resumed gradually with safe management measures in place. By the end of September 2020, a workforce of about 15,000 had returned to work in Singapore, up from about 5,000 at the end of July 2020. Notwithstanding the gradual resumption of work, disruptions related to COVID-19 have impacted Keppel O&M’s revenues, which contributed to it reporting a loss for 3Q 2020.

Keppel O&M will continue to face challenges in its profitability for the rest of the year as the industry continues to face headwinds amidst depressed oil prices. Nevertheless, Keppel O&M’s pivot into other market segments is bearing fruit. In the year to date, Keppel O&M has secured about S\$900 million worth of new contracts, of which offshore renewables and gas-related projects comprise about 72%. As at end-September 2020, Keppel O&M’s net orderbook stood at S\$4.1 billion, up from S\$3.5 billion as at end-June 2020. Since the start of the pandemic, Keppel O&M has put in place cost management measures which will result in reduction in annual overhead costs of more than S\$90 million starting from 2021, and is working on further cost reduction.

Despite the impact of the COVID-19 pandemic, Keppel Infrastructure continued to perform resiliently and recorded an EBITDA of S\$119 million for 9M 2020, slightly above the S\$115 million a year ago. In the year to date, Keppel Infrastructure has secured S\$2.1 billion worth of waste-to-energy and district cooling contracts across Singapore, India and Thailand. This includes the latest S\$300 million contract awarded by JTC Corporation to build, own and operate a new district cooling system plant for 30 years.

Separately, the operation and maintenance of the Keppel Marina East Desalination Plant in Singapore continues to progress smoothly since the plant commenced commercial operations at the end of June 2020, while the Tuas Nexus Integrated Waste Management Facility is undergoing its design and engineering phase.

Urban Development

Keppel Land sold about 2,030 homes in the first nine months of 2020, a decrease from 3,520 homes sold in the same period last year. In Singapore, home sales have increased to 240 homes compared to 190 a year ago, underpinned by an improvement in sales at The Garden Residences in Serangoon, which was 74% sold as at end-September 2020. Over in China, 1,580 homes were sold in the first nine months of 2020, lower compared to 2,330 homes over the same period last year, due to economic headwinds in the country and fewer new projects launched. In Vietnam, Keppel Land sold 40 homes, lower year-on-year, due to slower approvals from the authorities for new property launches.

As part of the efforts to activate its landbank by proactively turning assets, Keppel Land announced the divestment of a project in Taicang, Jiangsu for S\$104 million in October 2020.

Reflecting the continuing demand for land in the increasingly mature Sino-Singapore Tianjin Eco-City, a plot of residential land was sold in October 2020, which is expected to yield a gain of about S\$18 million for Keppel.

Connectivity

Digitalisation trends accelerated by work-from-home arrangements continue to drive demand for data centres. The new data centre project at Genting Lane, which Keppel Telecommunications & Transportation is developing in partnership with SPH, has met with strong demand from both existing as well as new customers. Continuing its efforts to reduce the carbon footprint of data centre operations, Keppel Data Centres announced a collaboration with City Gas and City-OG Gas Energy Services to explore the use of LNG and hydrogen to power the proposed floating data centre park in Singapore.

Meanwhile, M1 performed resiliently despite disruptions from the COVID-19 pandemic. M1's EBITDA of S\$202 million for 9M 2020 was stable year-on-year, while its postpaid customer base grew 6.1% year-on-year and has become the second largest in Singapore.

The plans for M1's transformation from a traditional mobile telco into a digital connectivity platform remains on track despite the pandemic. During the quarter, M1 became the first operator in Singapore to open up 5G access to all customers with the launch of its 5G non-standalone network, as well as expanded its MVNO partnerships to include MyRepublic. In addition, M1 will offer its 5G network and capabilities as part of the partnership between Keppel and DBS to unlock new opportunities for retail customers, enhance customer engagement, as well as offer digital supply chain financing solutions for Keppel's extensive supplier ecosystem.

Asset Management

In the first nine months of 2020, Keppel Capital's asset management fees¹ grew 17.1% year-on-year to S\$123 million, due mainly to contributions from new fund initiatives.

In the year to date, Keppel Capital-managed funds have also secured total commitments of US\$2.0 billion from various institutional investors including pension and sovereign wealth funds. The capital commitments include US\$295 million from the first closing of Fund IV in Keppel Capital's successful Alpha Asia Macro Trends Fund series.

Other new initiatives in the third quarter of 2020 include the announcement of a strategic cooperation with the National Pension Service of Korea to explore opportunities for private infrastructure in Asia, as well as the launch of the Keppel Education Asset Fund to tap the fast-growing private education sector.

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¹ Includes 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on shareholding stake in associate with which Keppel has strategic alliance.